
Guest editorial

Bretton Woods: fifty years on

"All of us have seen the great economic tragedy of our time. We saw the world-wide depression of the 1930s. We saw currency disorders develop and spread from land to land, destroying the basis for international trade and international investment and even international faith. In their wake, we saw unemployment and wretchedness—idle tools, wasted wealth. We saw their victims fall prey, in places, to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and, finally, of war." [US Secretary of the Treasury, Morgenthau, in his opening address to the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1944 (US Department of State, 1948, page 81)]

"I am gratified to announce that the Conference at Bretton Woods has successfully completed the task before it. It was, as we knew when we began, a difficult task, involving complicated technical problems. We came here to work out methods which would do away with the economic evils—the competitive currency devaluation and destructive impediments to trade—which preceded the present war. We have succeeded in that effort." [Morgenthau: closing plenary session of the Bretton Woods Conference (US Department of State, 1948, page 1225)]

It is now widely recognized that the state of the world economy is shaped by the state of the international financial system and the organization of the world's money. In geography this recognition dawned in the late 1980s, in the wake of David Harvey's account of *The Limits to Capital* (1982) and regulation school accounts of the crises of global Fordism (Aglietta, 1979; 1985; Lipietz, 1985; 1987). The light was not always quick to shine and Anglo-American economic geographers, in particular, tended to theorize the transition from Fordism to post-Fordism almost entirely in terms of the introduction of flexible production technologies, just-in-time systems of stock control, economies of scope, and so on. In Australia, though, a country continually battered by flows of money capital, a new economic geography emerged in the late 1980s that was "more sensitive to the intersections of financial and industrial capitals in the restructuring of space-economies" (Corbridge and Thrift, 1994, page 2). Robert Fagan (1990) and Maurice Daly and Malcolm Logan (1989) paid rather less attention to the new production technologies that helped to define a post-Fordist Pacific Rim, and rather more attention to the roles played by leveraged buyouts, junkbonds, and the Eurocurrency markets in the international restructuring of industrial capitalism. In so doing, they echoed Manuel Castells's (1989) work on the spaces of flows that define the modern world system. They also acknowledged the openness and volatility of a world economy that had changed markedly from the world-economy mapped out at Bretton Woods in 1944. For such authors—and for others besides (Corbridge, 1988; Leyshon, 1992; Thrift and Leyshon, 1988)—the transition from Fordism to post-Fordism began with the ending of the Bretton Woods system (BWS) in 1971/73; it did not have to await the introduction of new forms of stock control and labour management in the 1980s.

Now Bretton Woods is back in the news. As I write it is exactly fifty years ago that representatives from forty-four countries were meeting at the Mount Washington

Hotel in the resort town of Bretton Woods, New Hampshire, to discuss arrangements for the (re)organization of the world economy at the end of World War 2. The United Nations Monetary and Financial Conference was dominated by the USA, of course, and the United Kingdom, but there were also delegations from the Soviet Union, France, India, China, South Africa, Mexico, and Brazil, amongst others. Much of the groundwork for the conference was laid in June 1944 in Atlantic City, New Jersey, where Maynard Keynes (UK) and Harry Dexter White (USA) hammered out the details of a prospective International Monetary Fund (IMF; White's responsibility at Bretton Woods) and an International Bank for Reconstruction and Development [Keynes's responsibility (van Dormael, 1978)]. This division of labour harked back to the Keynes and White plans for postwar reconstruction and stabilization that circulated officially and unofficially in the early-mid-1940s. The fact that White took charge of the Bretton Woods Committee dealing with the IMF also spoke to the fact of US hegemony at the end of World War 2. Although President Roosevelt, Henry Morgenthau, and White joined with Keynes in pressing for increased economic cooperation between sovereign countries, the Americans were always in the driving seat when it came to specifics. What emerged at Bretton Woods was closer in substance and spirit to White's 1942 draft plan for a Stabilization Fund and a Bank for Reconstruction and Development than it was to Keynes's vision of a postwar Clearing Union making equal demands upon creditor and debtor countries. (Keynes's plan was also first drafted in 1942 and was quickly taken up by the UK Treasury in its negotiations with a US Administration intent on ending zones of preference in international trade.) The Americans were also able to scupper Keynes's proposal for a truly international unit of account, the Bancor, which would in time join with gold and the US dollar in providing a major source of international liquidity.

Hindsight tells us that the conference was a success. This was certainly the conclusion that Keynes arrived at. Keynes recognized that the Americans were bound to have the final say on the details of the postwar arrangements. The USA, after all, would soon be asked to bail out a British economy that was facing bankruptcy. At the same time, Keynes recognized that the overall shape of the Bretton Woods Agreements owed far more to his vision of national-capitalist economies bound together by trade and a common commitment to full employment, than it did to a powerful strand in US thinking that favoured a return not just to trade liberalization, but also to limited capital controls and a gold standard. The loss of Bancor and a possible International Trade Organization (finally agreed to in 1994 by the G7 powers) was something that Keynes and the United Kingdom could live with. Britain needed an internationalist America, and Roosevelt, Morgenthau, and White each did their bit to sell Bretton Woods to a sceptical Congress. Keynes, moreover, had told Sir Frederick Phillips at the UK Treasury as far back as mid-1943 that, "the Harry White Plan is not a firm offer. The real risk is that there will be no plan at all and that Congress will run away from their own proposal. No harm, therefore, at least it seems to me, if the Americans work up a certain amount of patriotic fervour for their own version. Much can be done in detail hereafter to improve it. The great thing at this stage is that they should get thoroughly committed to there being some plan; or, what is perhaps another way of putting the same thing, that their public should get thoroughly used to the idea that such a plan is inevitable" (quoted in Moggridge, 1992, page 692). Keynes was also instrumental in persuading the British Parliament in 1945/46 to ratify the Bretton Woods Agreements (and the US Loan Arrangements that would come with ratification). This was in the teeth of opposition from the Conservative Party and private banking interests,

and from some Labour MPs who feared that Bretton Woods would mean a return to the gold standard by the back door.

The backward glance of history also confirms that the Bretton Woods years—conventionally dated 1944/45–1971/73—coincided with years of unparalleled growth and stability in the world economy, or at least in that part of it dominated by the advanced industrial countries. The BWS helped local systems of Fordism to flourish in Western Europe, Japan, and the USA, with workers there seeing their real rates of pay improve in line with increases in productivity, while full employment was maintained by corporatist forms of economic management. The Bretton Woods Agreements seemingly paved the way for a Golden Age of Capitalism by moving the world economy away from the deflationary bias of a strict gold standard system and by rewarding cooperative economic arrangements between sovereign countries. International trade was quickly liberalized and multilateralized in the 1950s, but strict controls were placed on international capital flows emanating from countries other than the USA. The Bretton Woods Agreements provided for currency stability in the form of fixed-peg exchange rates tied to a dollar that was as ‘good as gold’. Changes in the par value of a currency would have to be agreed with the IMF. The IMF would also make funds available to member countries in temporary balance of payments difficulties, while the IBRD would (in theory) provide counter-cyclical funds for economic reconstruction and development.

Some measure of the success of the BWS in providing for international economic stability and growth in the 1950s and 1960s will be apparent from figure 1.

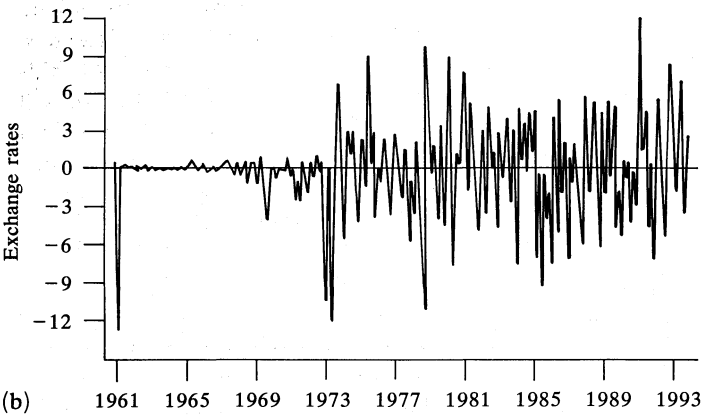
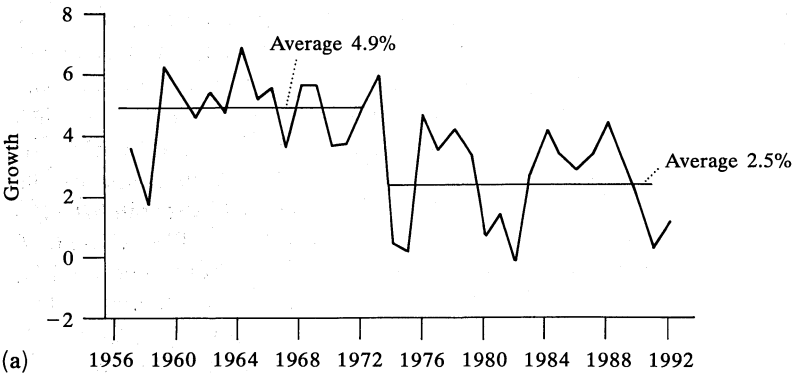


Figure 1. Bretton Woods and after: (a) GNP growth rates for the G7 countries (percentage per year), (b) percentage change in month-end Deutsche mark–US dollar exchange rates.

This figure alone suggests that the Bretton Woods Agreements (and their architects) are due a retrospective in the pages of this journal. The Golden Age of Capitalism did not survive the ending of the BWS. But a retrospective is not the same as a memorial. In recent years a new literature has grown up in the field of international relations which challenges the view that the BWS was ever a coherent international monetary system, and which offers a more contingent perspective on the associations between the BWS and the Golden Age of Capitalism (Walter, 1993). This revisionist account of the BWS has also been linked to a broader critique of hegemonic stability theories and a reassessment of the nature of US economic and financial hegemony in the postwar period. These and other battles around the meanings of 'Bretton Woods' clearly matter at a time when numerous commentators are urging world leaders to hold a second 'Bretton Woods Conference'. It is important that we interrogate as critically as possible just what the lessons of Bretton Woods might be, and what the prospects are in the 1990s for reinventing a managed global political economy along the lines mapped out by Keynes and White in 1942–44.

The two papers that follow address these and other issues in distinct but related ways. Andrew Leyshon and Adam Tickell examine the ways in which economics and economic geography are constructed as discourses. They argue that conceptualizations of 'the economic' are never completely innocent and that theories of the economy can have important material consequences. This argument is illustrated with reference to the 'regulatory experiment of Bretton Woods' and the seemingly self-regulating world of 'market forces and allocative efficiency' that has taken its place since the mid-1970s. Leyshon and Tickell commend regulation theories and a neo-Gramscian political economy as two moments of a wider post-Marxism that is well placed, discursively and practically, to make sense of the world economy after 1945. By contrast, my own paper is concerned to challenge accounts of the BWS which attempt to enclose it within the confines of hegemonic stability theories. My paper also reflects more generally on the changing nature of hegemony at the end of the 20th century, and on the changing possibilities and problems associated with new forms of international money and capital transfer. The lessons that might reasonably be drawn from the BWS are examined in the light of these wider changes.

S Corbridge

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